

4/10 Update on Medicaid

Discussion of major Medicaid budget cuts began due to concern that when stimulus funding ran out we would very quickly burn through the trust fund and need a tremendous amount of additional General Revenue.

The belief was that we very quickly needed to stem the growth of Medicaid. Our initial budget estimate was that we would spend about \$4.2B this year and \$4.6 B in FY2011. Our charge was to put together a plan to see what it would take to spend no more than \$4.2B next year.

However, in recent weeks the immediate financial outlook for Medicaid has brightened somewhat, and as we all know, we've had a major development at the federal level, namely Healthcare Reform.

On the revenue side we've gotten:

- \$16M from Attorney General McDaniel's work on the Zyprexa case
- \$16M the Governor allocated from the state's rainy day fund
- \$24M of additional stimulus from a new interpretation by officials at CMS
- and we expect almost \$200M more in stimulus if there is a 6-mo extension

On the expenditure side, we continue to keep tight reins on our spending and to refine our projections, and we're now comfortable projecting that our expenditures this year and next will be significantly below our original forecast.

Here's where all those developments leave us:

During his entire tenure Gov Beebe has encouraged us to transform the Medicaid system to give us more appropriate care at a better price. While we have continued that work, we felt our financial situation was acute enough that we also needed to make significant short term reductions.

With the improved financial situation and the opportunities and challenges posed by Health Care Reform, the Governor has directed that we move our focus from major reductions to major reforms. To that end, we have developed, with stakeholder input, a package of initial ideas which should significantly improve the Medicaid program over the next few years.

That package of ideas can be found on the Medicaid website at <https://www.medicaid.state.ar.us/Download/costcurve/Stakeholder-Notes.pdf>.